

HB 416_GovernorsOffice_Support.pdf

Uploaded by: Erin Chase

Position: FAV



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TTY USERS CALL VIA MD RELAY

House Bill 416 State Government - Quasi-Governmental Units - Oversight and Governance

Tuesday, March 1, 2022

House Appropriations Committee

Position: SUPPORT

Erin Chase, Deputy Legislative Officer, Office of the Governor
Andrew Serafini, Chair, State Transparency and Accountability Reform Commission

Chair McIntosh, Vice Chair Chang, and Members of the Committee:

House Bill 416 fulfills a number of the recommendations resulting from Governor Hogan's State Transparency and Accountability Reform (STAR) Commission, which was chaired by former state Senator Andrew Serafini. The executive order signed by the governor, signed in December 2019, established the Commission and charged it with reviewing the operations and structures of state instrumentalities that operate as quasi-governmental agencies. These agencies, created by statute, are designed to fulfill public purposes by operating with structures that provide the necessary managerial flexibility to ensure optimal performance. It is the state's duty to ensure that these agencies operate with the highest integrity, and provide services in accordance with their mission, while maintaining public trust. The Commission's final report was published on December 1, 2021, and contained numerous recommendations to help improve transparency and accountability for these instrumentalities of the state.

House Bill 416 will apply to the following units: Bainbridge Development Corporation, Canal Place Preservation and Development Authority, Maryland Agricultural and Resource-Based Industry Development Corporation, Maryland Automobile Insurance Fund, Maryland Clean Energy Center, Maryland Economic Development Corporation, Maryland Environmental Service, Maryland Food Center Authority, Maryland Health and Higher Educational Facilities Authority, Maryland Industrial Development Financing Authority, Maryland Stadium Authority, Maryland Technology Development Corporation, and Northeast Maryland Waste Disposal Authority, and require the following:

- Submission of an annual, detailed budget to the Department of Budget and Management for inclusion in the budget books;
- Legislative budget hearings for each unit at least every other year;
- Independent board assessment every 5 years to evaluate the effectiveness of the board's operations;
- The governing board of the entity conduct the annual performance review of the head of the agency;
- Department of Legislative Services perform a comprehensive review of the unit at least every 8 years and determining the unit's compliance with statute and mission, and have the committee of jurisdiction conduct a review, similar to a "sunset" review, to determine if the unit's statute needs to be amended or if the mission of the unit are achieved by other units;

The Hogan Administration remains committed to bringing transparency, accountability, and appropriate oversight measures for state government. The people of Maryland deserve and expect a government that operates with integrity, and there must be adequate safeguards and oversight to ensure that all units of state government operate consistently with the public trust.

For these reasons, the Administration respectfully requests a favorable report on House Bill 416.

HB0416 (SB0399) - State Government - Quasi-Governm

Uploaded by: Landon Fahrig

Position: FAV



TO: Members, House Appropriations Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB 416 - State Government - Quasi-Governmental Units - Oversight and Governance
DATE: March 1, 2022

MEA POSITION: FAV

MEA supports this legislation that will add transparency and accountability to the operations of several state entities, including the Maryland Clean Energy Center (MCEC), which has received and continues to receive significant state funding.

MCEC was originally intended to be a self-sufficient quasi-governmental organization. However, MCEC has not been able to achieve self-sufficiency over its lifetime. Rather, MCEC, through its longtime director, has often testified in support of legislation to increase financial support for the entity.

From FY09-15, MCEC received loans from MEA totaling \$1.3 million. Those loans were not repaid, but rather expunged in FY18 per statute. From FY16-20, MEA has provided additional grants and statutory transfers to MCEC of more than \$3 million. Following the scheduled FY22 transfer, MCEC will have received \$10 million or more in transfers from MEA; funds that would otherwise support MEA's bevy of clean and renewable energy programs, emissions reductions efforts, and support for low-to-moderate income energy efficiency and bill payment assistance.

Under HB 419 (2021), MCEC is now guaranteed a continuous, permanent stream of state funding via MEA, and it is appropriate to require additional transparency and accountability measures due to this fact. The requirements provided for in this bill will help ensure that this permanent investment is being utilized responsibly and effectively, with regular oversight provided by the General Assembly.

MEA kindly asks the committee to issue a **favorable report**.

HB 416_MAIF_FAV.pdf

Uploaded by: Sandra Dodson

Position: FAV



MARYLAND
AUTO INSURANCE

TESTIMONY – House Bill 416

Date: March 1, 2022

Position: Favorable

Bill Number: House Bill 416 – State Government – Quasi-Governmental Units – Oversight and Governance

House Bill 416 Review and Analysis

House Bill 416 applies to thirteen quasi-governmental units, including Maryland Automobile Insurance Fund (MAIF), and requires:

- An annual performance appraisal of the Executive Director by the MAIF Board.
- A full and detailed budget submission by MAIF to the Department of Budget and Management (DBM) using their format.
- A budget hearing at least every 2 years before the Budget Committees of the General Assembly.
- An assessment of the Board's operations by an independent consultant or accountant every 5 years, submit the assessment to the Governor and General Assembly, and post the assessment on the MAIF website. and
- An evaluation of MAIF by the Department of Legislative Services at least once every eight years.

House Bill 416 enacts the recommendations State Transparency and Accountability Reform (STAR) Commission. MAIF fully participated in the extensive STAR Commission proceedings and embraces the goals of the Commission.

MAIF currently complies with most of the provisions of House Bill 416: the MAIF Board annually conducts a performance appraisal of the MAIF Executive Director; MAIF submits its annual budget to DBM in their format; MAIF participates in annual Senate and House Budget Subcommittee hearings and MAIF's external auditor performs a limited review of the Board's governance.

To comply with House Bill 416, MAIF will need to hire an independent consultant or accountant to perform an assessment of MAIF's Board operations. Posting the assessment on our website can be handled with existing personnel resources.

Conclusion

For these reasons, urges a favorable report on House Bill 416.

For Information: Sandra Dodson – Government Relations 667-210-5182

MCEC T-2022 HB416.pdf
Uploaded by: Katherine Magruder
Position: FWA



I. Katherine Magruder
Executive Director
ikm@mdcleanenergy.org
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Maryland Clean Energy Center (MCEC) was created as an instrumentality of state in 2008 through an act of the Maryland General Assembly.

MCEC focuses on an economic development mission to advance the adoption of clean energy and energy efficiency products, services and technologies along with the associated jobs and wages for Maryland. MCEC leverages private capital and private sector capabilities; facilitates the commercialization of innovative advanced energy technologies; strives to reduce energy costs for consumers, and drive reductions in greenhouse gas emissions associated with the use of fossil fuels.

HB 416 - State Government - Quasi Governmental Units - Oversight & Governance

March 1, 2022 House Appropriations Committee

SUPPORT with AMENDMENT

Maryland Clean Energy Center appreciates and supports the need to ensure the effective oversight and governance of independent instrumentalities of state, like MCEC. Concerns with the proposed legislation are not as much related to what is intended, but to how it is suggested to be accomplished.

In summary, HB 416 seeks to reclassify MCEC among the entities listed, as a “quasi-governmental unit” and proposes to change its oversight and governance. MCEC concerns have to do with potential operational issues that may arise and unbudgeted costs the instrumentality may have to absorb to implement the directives proposed in the bill.

As an instrumentality of state impacted by this proposed legislation, MCEC appreciates the need to ensure effective and efficient management of state enabled bodies. If implemented as written, MCEC is concerned about the potential fiscal and operating impact of the legislation. The following summary is offered for your consideration:

- I. **Designation as Quasi- Governmental Units of Government is a change from the designation in statute of independent Instrumentality of State.** The term “quasi-governmental entity” is undefined in the legislation, which if enacted, may impact the ability of several of the entities to issue bonds for project financing. This change in designation may affect the ability of MCEC to perform related legislatively mandated functions, impacting:
 - ability to finance projects with loans, grants and other financing
 - tax exemption status for bond issuance
 - tax exemptions on properties or activities, and
 - sovereign immunity in relation to tort and contract claims

Appropriate wording changes to the language of the legislation could mitigate these concerns.

- II. **Requiring submittal of budgets to DBM for inclusion in state budget books in the manner required by DBM, and requiring budget committees to hold bi-annual hearings on the budget of instrumentalities.**

This proposed directive is of concern because wording does not prescribe what DBM will require in terms of reporting, and how those requirements may or may not align with the statutory requirements for each instrumentality.

MCEC suggests that the annual requirement for audited financial statements to be prepared and posted serves to ensure certain transparency and standards of operational governance for the instrumentality.

Additionally HB 375/ SB 269, entitled "Open Meetings Act-Application and Enhanced Requirements", if passed will require instrumentalities to post meeting materials on-line in advance of and following each meeting. This would include proposed and approved annual budgets which should also serve to provide the desired transparency.

III. Require assessment of board operations every 5 years by an independent consultant or accountant.

MCEC will incur significant cost to implement this particular directive, ultimately redirecting funds otherwise targeted at efforts to accomplish the primary statutorily mandated mission of the organization. This is particularly impactful for MCEC as it is attempting to generate sustainable operating capital. Costs are estimated to range from \$30K to \$100K, for each year of assessment, and MCEC does not currently have the resources budgeted for this purpose. If this mandate remains in adopted statute, MCEC would suggest language be included in the bill to provide reimbursement from a state funded account upon completion of each evaluation.

The standards by which boards would be evaluated should be clearly articulated in the bill, and balanced with efforts to ensure board members are prepared to succeed in the appointed role. We suggest that a more effective and affordable approach to insuring effective board management of operations would be for the State to provide centralized training for appointees prior to approval for appointment. Training should include considerations of fiduciary responsibility, ethics requirements and Open Meetings Act compliance.

IV. Require DLS evaluation of instrumentalities every 8 years to determine whether or not the entity is fulfilling its statutory purpose, if another governmental entity or private business is better able to perform the functions of the instrumentality, and if any legislative or non-legislative changes should be recommended to the General Assembly to improve the operations of the entity.

Instrumentalities of the state are required to submit annual reports to the DLS, the Governor and legislative leadership. Those reports serve to provide information relevant to the evaluative criteria outlined in section 9.6-302C of the bill.

Requiring DLS to subjectively evaluate the performance of each instrumentality is a time consuming obligation, and puts the instrumentality in the position of having to defend its existence. MCEC believes its board is capable of providing direction to the policy bodies about the effectiveness of and continued need for the instrumentality.

The bill calls for MCEC to be one of the first instrumentalities evaluated in the cycle. However, MCEC has been through the evaluative process already several times over the past few years, including:

2014: SB 985 passed directing the center to study the need, feasibility and role of a Maryland Green Bank.

<https://www.mdcleanenergy.org/wp-content/uploads/2019/06/MCEC-Green-Bank-Study-Final-Report-2015.pdf>

2016: Legislative Task Force was convened to evaluate the need for MCEC, examine the report recommendations, look at other state models, and recommend a funding strategy for the instrumentality.

2017: SB 313 MCEC was directed to complete and submit a strategy for sustainability report.

<https://www.mdcleanenergy.org/wp-content/uploads/2019/12/MCEC-Impact-and-Sustainability-Strategy-Report-12.2019.pdf>

MCEC recommends this directive for evaluation every 8 years by DLS be eliminated from the bill. At a minimum, if included in a version of this bill to be adopted, MCEC respectfully requests amendment language to move MCEC further back in the evaluative cycle to the year 2029.

MCEC appreciates the committee's consideration of these concerns as you deliberate the passage of HB 416.

MDDC FWA HB416.pdf

Uploaded by: Rebecca Snyder

Position: FWA



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To: House Appropriations Committee

From: Rebecca Snyder, Executive Director, MDDC Press Association

Date: March 1, 2022

Re: HB 416 – Favorable with Amendments

The Maryland-Delaware-District of Columbia Press Association represents a diverse membership of newspaper publications, from large metro dailies such as the Washington Post and the Baltimore Sun, to hometown newspapers such as the Star Democrat and Herald-Mail, to publications such as The Daily Record, Baltimore Jewish Times, and online-only publications such as Bethesda Beat, MarylandReporter.com and Baltimore Brew.

The Press Association appreciates the clarity HB 416 brings to discussions of quasi-governmental units. However, there is a glaring omission. Each quasi-governmental unit should be subject to the Public Information Act and the Open Meetings Act.

We urge the Committee to amend HB 416 to clearly state that these units must comply with the PIA and the OMA.



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HB 416 Testimony MARBIDCO.pdf

Uploaded by: Steve McHenry

Position: FWA



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Mary Shank Creek, *Chair* / Stephen R. McHenry, *Executive Director*

TESTIMONY STATEMENT

BILL: House Bill 416 (State Government-Quasi-Governmental Units-Oversight and Governance)

COMMITTEE: House Appropriations

DATE: March 1, 2022

POSITION: Support with Amendments

The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) supports House Bill 416, State Government-Quasi-Governmental Units-Oversight and Governance, with amendments, and would like to offer comment on several of the bill's provisions. MARBIDCO fully supports appropriate transparency and good governance by the State's quasi-public instrumentalities.

Background Information Concerning MARBIDCO

MARBIDCO was established by the Maryland General Assembly 15 years ago as a relatively specialized economic development financial intermediary instrumentality of the State of Maryland (as an independent corporate entity) to enhance the sustainability of the State's agricultural and resource-based industries to help support locally produced food and fiber products, bolster local economies, and preserve working farm and forest land for future generations. MARBIDCO is governed by a Board of Directors that consists of 17 individuals who bring a wide range of perspective and experience to the Corporation's operations. These include 11 members appointed by the Governor with the Advice and Consent of the Senate, and 6 ex officio (voting) members from MDA, DNR, Commerce, Rural Maryland Council, Maryland Food Center Authority, and the University of Maryland Extension.

MARBIDCO employs a small staff of experienced agribusiness credit underwriters, loan servicers, and grant administrators, and the Attorney General's Office (and outside bond counsel when necessary) provide legal services to the organization (on a fee-for-service basis).

MARBIDCO's lending and agribusiness development incentive programs are designed to help fill an important economic development void by promoting commercial business start-up and expansion in the agricultural sector. Moreover, the Corporation aims is to help agricultural and resource-based businesses to innovate, diversify and exploit emerging market opportunities in food and fiber production.

MARBIDCO does this, in part, by filling gaps in privately provided capital, and by helping rural businesses to leverage federal, regional, and local government support to sustain or increase operational sustainability and profitability. In addition, because of a rapidly aging farmer population, MARBIDCO also aims to help young and beginning farmers to start and expand food or fiber production business enterprises.

MARBIDCO's basic operating framework for its Core programming balances two key objectives:

- 1) Help make higher risk capital and credit available to qualifying agricultural, forestry and seafood enterprises at affordable interest rates; and
- 2) Conduct the organization's financial affairs in such a manner that it can reach self-sustainability after FY 2025 – with respect to its Core loan (and small grant incentive) programs. MARBIDCO is on track to meet this requirement.

(Note: MARBIDCO also receives grant funds from various other public and private sources from time-to-time to offer “specialty” loan and grant incentive programs. Today, the Corporation offers four specialty loan programs and three specialty grant incentive programs. All of these programs are designed to eventually be self-liquidating.)

As required by law, MARBIDCO receives annual appropriations in the State Budget for its Core Programs (\$2.3 million), Local Farm Enterprise Food Aggregation Grant Program (\$435,000) and the Next Generation Farmland Acquisition Program (\$2.5 million). These appropriations will cease after fiscal 2025 or fiscal 2027. MARBIDCO's Executive Director routinely attends the Senate and House budget committee hearings every year where these programmatic allowances are considered (within MDA's budget).

Today, MARBIDCO offers more than a dozen agricultural and rural business financial assistance programs. Assisting young and beginning farmers are a special focus for MARBIDCO, as is farm operation diversification (through value added processing activities). Commercial urban farming has also become an important focus of MARBIDCO's efforts.

To date, MARBIDCO has helped **541** young or beginning farmers buy their first farms or expand their business operations (with \$59 million deployed) and has assisted with funding **277** value added food or fiber processing enterprises (\$7.1 million deployed). MARBIDCO's investment in agricultural/rural business lending (\$63.5 million deployed) has also leveraged nearly \$170 million in private commercial loan capital (approaching a 3-to-1 leverage of MARBIDCO's debt capital). More recently, MARBIDCO has also assisted **33** “beginner farmers” with purchasing their first farms (\$9.0 million deployed) and helped put 3,080 acres of good quality farmland on a path to become permanently preserved through the Next Generation Farmland Acquisition Program.

The Bill's Provisions

MARBIDCO would like to provide the following observations:

- 1. House Bill 416 will change MARBIDCO's designation to a Quasi-Governmental Unit of Government from its current designation in statute as an independent Instrumentality of State.** MARBIDCO's statute provides that “the Corporation is a body politic and corporate and is an instrumentality of the State”. The term “quasi- governmental entity” is undefined in the legislation, which if enacted, may impact the ability of MARBIDCO and other entities named in the bill to issue bonds for project financing. MARBIDCO has issued tax-exempt revenue bonds in the past to help facilitate rural land preservation.

This change in designation may affect the ability of the entities concerned to perform related legislatively mandated functions, impacting:

- Ability to finance projects with loans, grants and other financing
- tax exemption status for bond issuance
- tax exemptions on properties or activities
- sovereign immunity in relation to tort and contract claims

- 2. House Bill 416 requires submittal of budgets to the Department of Budget and Management for inclusion in State budget books in the manner required by DBM and requires the budget committees to hold bi-annual hearings on the budget of each instrumentality.** This proposed requirement is of concern because it does not prescribe what DBM will require in terms of reporting, and how those requirements may or may not align with the statutory requirements for each instrumentality. A number of those statutes specify that the instrumentality has the authority to carry out their respective purposes without the consent of any State unit; and empower the entity to set rates and charges which are not subject to the supervision or regulation by a governmental unit. MARBIDCO, for example, is not a unit in the Executive Branch of State government.

In addition, the timing of the adoption of MARBIDCO's fiscal year budget is about six months later than that for Executive Branch agencies. The State agency budgets have to be prepared for final submission to DBM in December for the following fiscal year. MARBIDCO's Board of Directors approves the MARBIDCO budget in May or June just before the start of the new fiscal year. As such, this clearly presents a timing problem for MARBIDCO.

We would also observe that legislation that is currently moving through the legislative process, HB 375/ SB 269, entitled "Open Meetings Act-Application and Enhanced Requirements", that if passed will require each instrumentality to post meeting materials on-line in advance of and following each meeting. This would include proposed and approved annual budgets which should serve to provide the desired level of transparency concerning the instrumentality's annual budget.

MARBIDCO suggests that it might be appropriate too for the annual requirement for audited financial statements to be prepared be posted online, as this would provide an additional level of transparency concerning operational governance and management for these instrumentalities.

In addition, as noted previously, MARBIDCO's Executive Director attends all Maryland Department of Agriculture budget hearings every year to address any MARBIDCO issues.

- 3. House Bill 416 requires assessment of Board operations every 5 years by an independent consultant or accountant.** MARBIDCO estimates this could cost between \$35,000 to \$70,000 every five years. If this mandate remains in an adopted statute, MARBIDCO requests that a cost reimbursement account be established that each instrumentality can draw from to cover related costs when such an evaluation is undertaken.

The standards by which boards would be evaluated are not balanced against efforts to ensure board members are prepared to succeed in their appointed role. A more effective and less costly approach to ensuring good board management may be to provide centralized training for appointees prior to them being approved for appointment. Training could include considerations of fiduciary responsibility, ethics law requirements and Open Meetings Act compliance. This might be a responsibility that could be assigned to the Governor's Appointments Office, the Secretary of State's Office, or the State Ethics Commission (perhaps with support from a Maryland university and/or the Maryland Association of Nonprofit Organization's "Standards for Excellence Program").

- 4. House Bill 416 requires the Department of Legislative Services to subjectively evaluate the performance of each instrumentality.** Many of the instrumentalities included in this list of those to be evaluated on an 8-year cycle will be managing debt obligations and projects with terms that extend beyond that time-period. As investors consider partnering on projects, this impending evaluation and the resulting determination could send a negative signal to the market. MARBIDCO also makes commercial loans with amortizations as long as 30 years. (MARBIDCO estimates that approximately 100 hours of staff time would be required to assist DLS staff with this effort.)

MARBIDCO believes that the boards of the instrumentalities are well positioned to provide direction to the policy-making bodies about the status and effectiveness of each, and language in the bill which might require bi-annual reports to the Budget Committees by the instrumentalities is sufficient for policy makers to evaluate the desired impact of those bodies.

Conclusion

MARBIDCO fully supports appropriate transparency and good governance by the State's quasi-public instrumentalities. In the case of the State's economic development instrumentalities, they were formed to act very nimbly, and with a long-term perspective, in helping to facilitate business development and commercial financing while at the same time safeguarding propriety commercial information and business plans as otherwise required under Maryland law. For these reasons, MARBIDCO supports House Bill 416 with amendments to address the concerns noted above. MARBIDCO will be pleased to provide the Committee with any assistance that might be needed in this regard.

Thank you.

MARBIDCO Contact: Steve McHenry, 410.267.6807

MEDCO HB 416 Testimony.pdf

Uploaded by: Tom Sadowski

Position: FWA



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MEDCO

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TESTIMONY OF

**J. Thomas Sadowski, Executive Director
Maryland Economic Development Corporation
House Bill 416**

State Government - Quasi-Governmental Units - Oversight and Governance

BEFORE

House Appropriations Committee

March 1, 2022

1:00pm

The Maryland Economic Development Corporation (MEDCO) supports HB 416 with amendment as detailed below.

MEDCO endorses the need for more transparency to ensure integrity and accountability in its mission, and MEDCO is willing to comply with the State's proposed oversight requirements to enhance transparency.

While MEDCO supports the proposed legislation's intent, we are concerned about how HB 416 may negatively affect MEDCO and the other instrumentalities' ability to fulfill their public purposes. HB 416 seeks to reclassify the entities listed therein, including MEDCO, as "quasi-governmental units" and proposes to change their oversight and governance. MEDCO proposes an alternative terminology be used to avoid unintended complications and consequences of this reclassification.

HB 416 classifies the listed State instrumentalities as "quasi-governmental units" without defining that term. MEDCO recognizes that the language in this legislation reflects that of Executive Order 01 .01 .2020.05, *State Transparency and Accountability Reform Commission*, which refers to listed State instrumentalities as "quasi government agencies." The executive Order states that " Maryland law has established quasi-governmental agencies that are designed to fulfill public purposes by operating with structures that provide managerial flexibility necessary for optimal performance," however the term "quasi-governmental unit" is not defined anywhere in the Maryland Code and is found only once in the Code, in §1-1303 (Local Government), yet it is not defined there either and appears from that statute to be different than a "unit of State government."

Changing the entities to “quasi-governmental units” may affect their ability to perform their legislative functions because the term is undefined and inconsistent with current statutes. Presently, the entities listed in the legislation are defined or described in particular ways under the respective enabling acts. For example, MEDCO is “a body politic and an instrumentality of the State,” and MEDCO’s actions are considered “essential governmental functions.” MEDCO’s enabling statute exempts it from State and local real estate taxes based on its status as an “instrumentality of the State.” Since 1984, MEDCO has used this exemption to engage in cost-effective economic development. Reclassifying MEDCO, and the other entities listed in HB 416 with similar tax exemptions, as “quasi-governmental units” may eliminate these tax exemptions. This would increase the costs of economic development projects MEDCO and the other entities affected by HB 416’s implementation.

Similarly, MEDCO finances many of its economic development projects by issuing bonds, the interest on which is exempt from federal income tax and State and local taxes. Changing the entities like MEDCO to “quasi-governmental units” may affect this exemption for both existing project bonds and future bond-funded projects. For example, this change may impact MEDCO’s outstanding tax-exempt bonds, and may put some of them into default. For future projects, this change may make the bonds MEDCO and other similarly situated entities seek to issue less marketable and would make MEDCO economic development projects more costly.

MEDCO recommends the following amendment be made to HB 416 to avoid the concerns referenced above. MEDCO proposes that rather than defining the listed entities as “quasi-governmental units”, that HB 416 contain an introductory sentence (without using the term “quasi-governmental units”, in the introductory sentence or throughout the legislation) declaring that:

“The following units are subject to the provisions of this Title.” (with “this title” referring to the State Government Article),

Further, MEDCO proposes including the following concluding provision at the end of HB 416, stating

“Nothing contained in the above provisions changes the listed entities’ status, powers, duties and obligations as set forth elsewhere in the Maryland Code.”

MEDCO anticipates that these two edits will allow the entities affected by this legislation to efficiently fulfill their missions while providing the transparency and accountability HB 416 seeks.

With the amendment recommended above, MEDCO supports a favorable report on HB 416.

HB0416 State Government - Quasi-Governmental Units

Uploaded by: Michael Frenz

Position: INFO



Larry Hogan
Governor

Michael J. Frenz
Executive Director

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Maryland Stadium Authority
Letter of Information

HBO416 State Government - Quasi-Governmental Units -
Oversight and Governance

APPROPRIATIONS COMMITTEE

The Honorable, Delegate Maggie McIntosh, Chair
The Honorable, Delegate Mark S. Chang, Vice Chair

Written Testimony, Letter of Information

Michael J. Frenz, Executive Director, Maryland Stadium Authority

Good afternoon, Chairs McIntosh and Chang and members of the Appropriations Committee, I am Michael Frenz, the Executive Director of the Maryland Stadium Authority (MSA) and appreciate the opportunity to provide this written Letter of Information.

The MSA is an independent unit in the Executive branch of State government and an instrumentality of the State, established under [§10-604 of the Economic Development Article, Annotated Code of Maryland](#). As such, it is *not* a quasi-governmental entity and does not belong in the category of entities otherwise included in HB 0416 (cross filed with SB 0399).

It should be noted that MSA is already subject to nearly all of the requirements in HB 0416, including but not limited to legislative audits and the State's budget process. To the extent additional reporting or audit categories are desired by the General Assembly, MSA recommends that the appropriate place for such amendments is Title 10, subtitle 6 of the Economic Development Article. Therefore, given MSA is a unit in the Executive Branch as set forth in its enabling statute. MSA respectfully requests that it be removed from HB 0416 and the cross filed SB 0399.

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BDC Testimony_SB0416.pdf

Uploaded by: Toni Sprenkle

Position: INFO



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BAINBRIDGE DEVELOPMENT CORPORATION
SB0416: STATE GOVERNMENTAL UNITS - OVERSIGHT AND GOVERNANCE
CONTACT: TONI SPRENKLE, EXECUTIVE DIRECTOR
717-683-5117 tsprenkle@bainbridgedev.org

The Bainbridge Development Corporation (BDC) staff and Board of Directors understand and support the need to ensure transparency of operations and ethical conduct within the management of all state quasi-public entities. The legislation as currently proposed raises concerns about the fiscal and operating impacts. The BDC submits the following testimony as “Informational Only” and recommends further evaluation of the proposed legislation.

Background

The Bainbridge Development Corporation (BDC) was established in 1999 by the Maryland General Assembly to receive title and create a suitable plan for the 1,185-acre former Bainbridge Naval Training Center through its development into productive use. BDC is managed by an Executive Director, assisted by an Administrative Assistant, and governed by a 15-member Board of Directors and complimented by representatives from applicable State agencies.

The BDC was created without any form of funding, either public or private, and relies on a pre-negotiated yearly developer contribution to fund all BDC activities, including, but not limited to legal services, professional services, environmental compliance, property maintenance, planning, engineering, salaries, office overhead, etc.

Rationale for Position

1. Requirement to conduct board operations assessment every 5 years by an independent consultant or accountant

This requirement could potentially pose a significant financial burden to instrumentalities, upwards of \$100,000+ per assessment, which is a cost the BDC cannot absorb in its current funding structure. If a requirement remains for the above-mentioned assessment, the BDC requests that a state fund be created to reimburse for the related costs.

The BDC also suggest more clarity be provided as to what standard the Boards will be evaluated against. Perhaps a more effective, and less cumbersome solution, would be to provide uniform training prior to appointment which could include Open Meetings Act review, State ethics requirements, financial responsibility, statute guidance, etc.

Board of Directors

Carl Roberts, Chair Jim Reynolds, Vice Chair Chick Hamm, Treasurer

Martha Barchowsky Mario Gangemi Sandra Edwards Joe Brant Matt Roath David Rudolph

2. Requiring submittal of budgets to DBM for inclusion in state budget books in the manner required by DBM and requiring budget committees to hold bi-annual hearings on the budget of each instrumentality.

This stipulation provides little detail on what DBM will require. Most of the state instrumentalities have budgeting and audit requirements within their founding statutes, which serves to provide transparency and fiscal responsibility. If SB 269 is passed, it would require state instrumentalities to post meeting materials on-line which would include approved budgets and audits. We feel this requirement is duplicative and unnecessary.

3. Require DLS evaluation of instrumentalities every 8 years to determine whether or not the entity is fulfilling its statutory purpose, if another governmental entity or private business is better able to perform the functions of the instrumentality, and if any legislative or non-legislative changes should be recommended to the General Assembly to improve the operations of the entity.

The BDC was created with a unique mission to redevelopment the Former Naval Training Center at Bainbridge. The process and timeline for that goal has significantly changed since the BDCs formation in 1999, due to lack of funding, significant changes in the economy and unexpected environmental concerns. Requiring a subjective evaluation of the BDC, and other state instrumentalities, places the entity in a protective position to defend its importance. State instrumentalities are required to submit annual reports to DLS, the Governor and the legislature, which provides information applicable to the criteria outlined in section 9.6-302C of this bill. We feel this requirement is duplicative and unnecessary.

The BDC appreciates the opportunity to provide an internal review of how the proposed legislation would impact its operations and potential for success. We strongly encourage further evaluation of the stipulations within the legislation prior to consideration.

Board of Directors

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